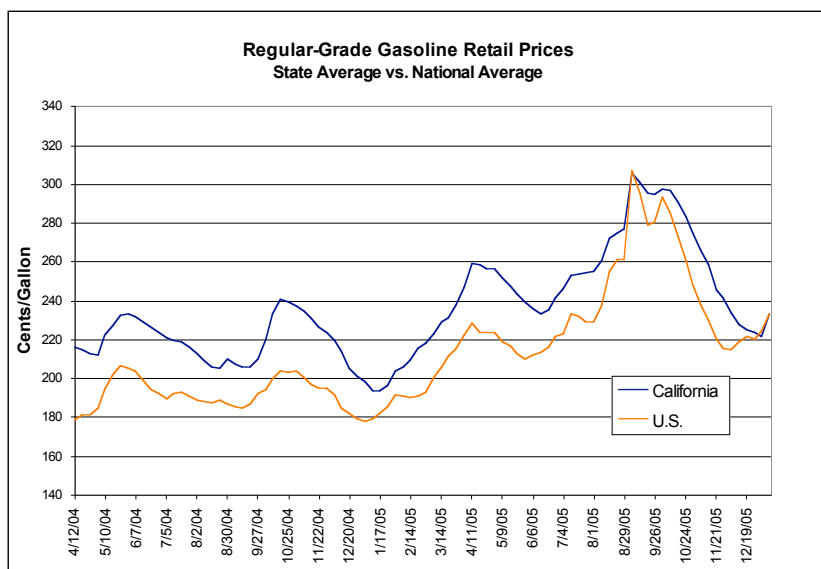
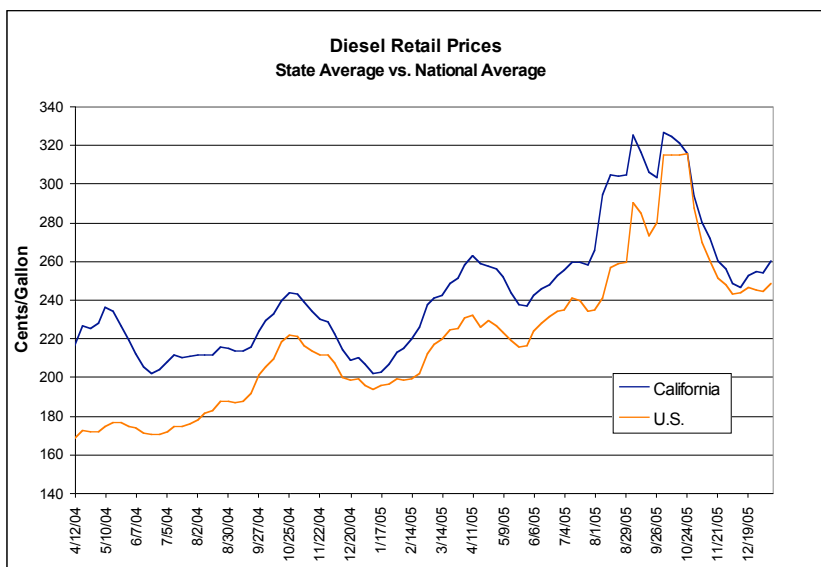


Retail Gasoline and Diesel Prices

- The average statewide retail price for regular gasoline abruptly rose 12 cents last week, after 13 straight weeks of declines, reaching \$2.33 per gallon as of January 9. The difference between U.S. and California retail prices has largely disappeared over the last four weeks after averaging about 20 cents during 2005. The average price of regular gasoline in 2005 for California was about \$2.47 per gallon.¹



- Average California retail diesel prices jumped 6 cents last week, after several weeks of slow increases, to \$2.60 per gallon as of January 9. The difference between average California and U.S. retail diesel prices also grew to almost 12 cents per gallon. The average price of California diesel during 2005 was about \$2.61.

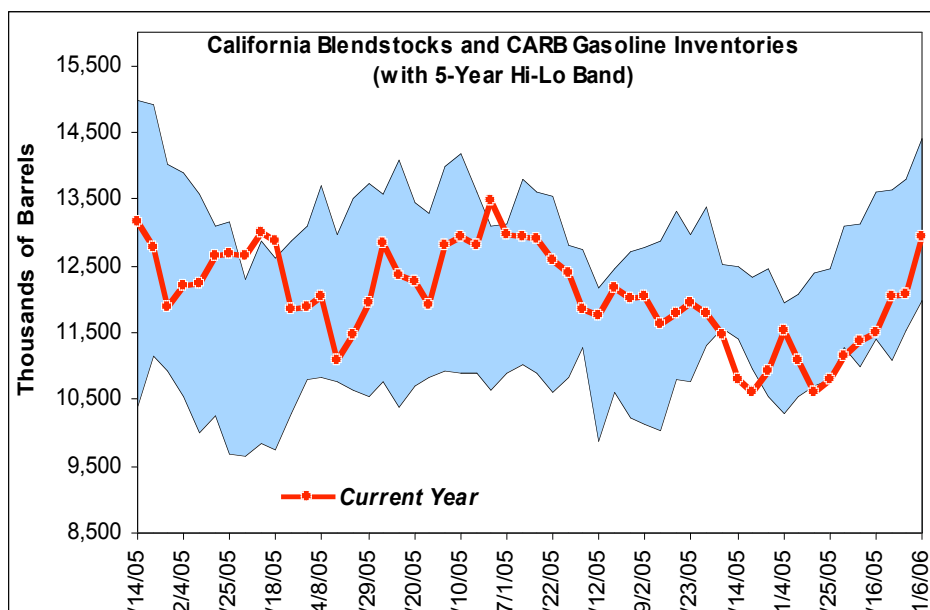
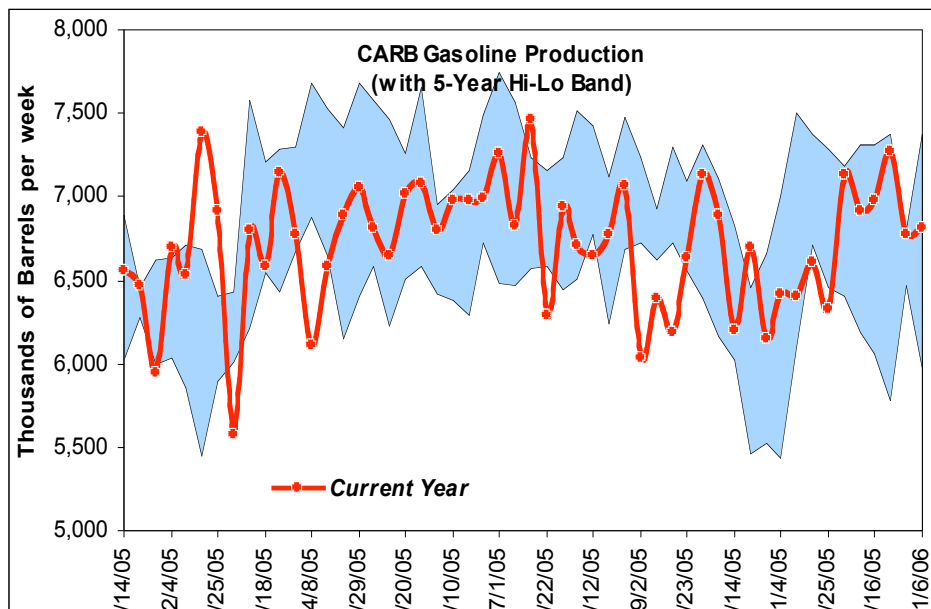


Wholesale Gasoline and Diesel Prices

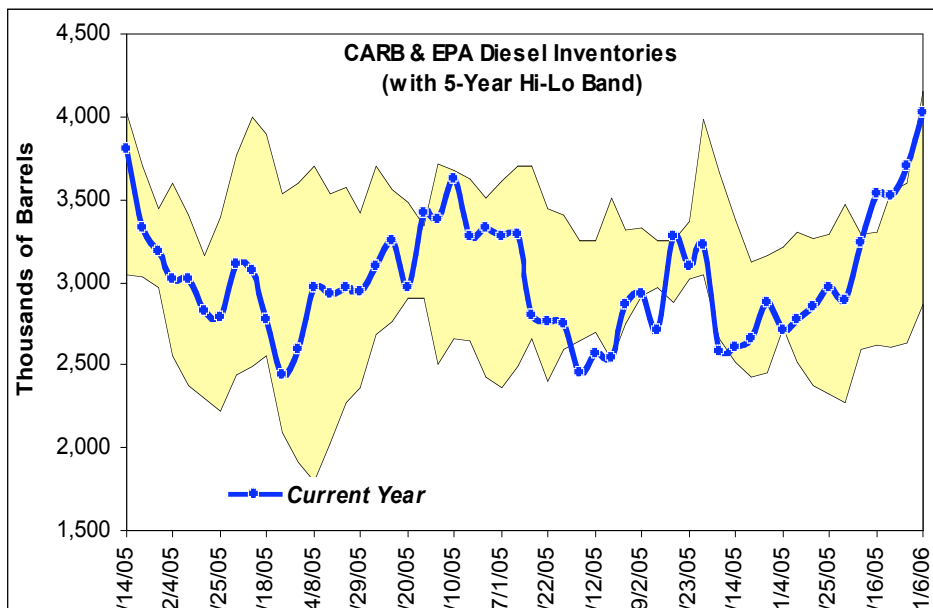
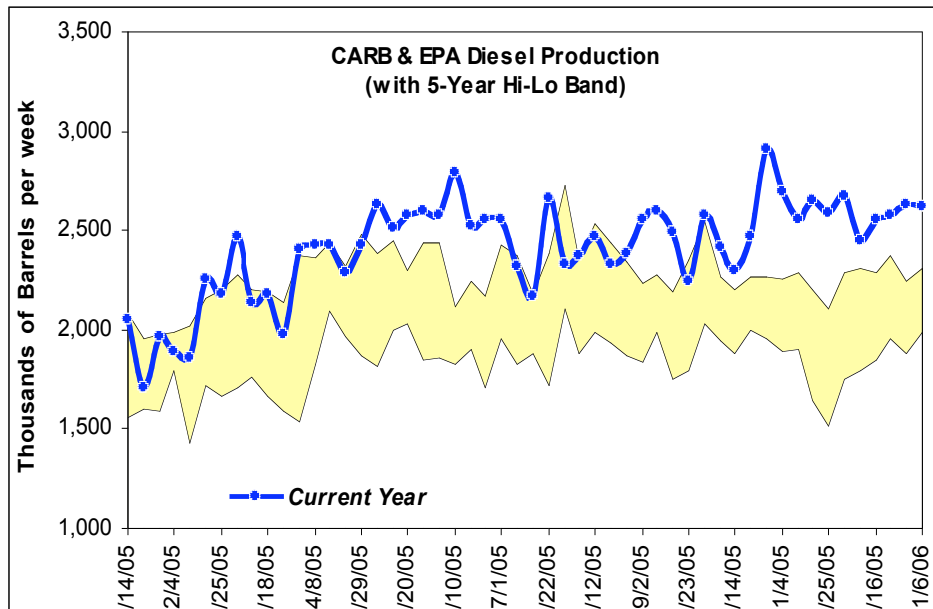
- California wholesale spot gasoline prices as of January 10 fell to \$1.83 per gallon, down from \$1.90 on January 6, but well above the December average of \$1.61. California trends over the last three weeks generally mirror those of New York Harbor, with California spot prices ranging from 9 to 14 cents per gallon more than New York Harbor over that period. Differences between California and the Gulf Coast have been slightly less over the same period. The recent price increases have been largely due to increased crude oil prices and expectations of a busy refinery maintenance season as work delayed by last year's hurricanes begins. As of January 10, California spot gasoline prices were about 12 cents more than prices in New York Harbor and 11 cents more than the Gulf Coast area.
- The average California spot wholesale diesel price fell to \$1.80 per gallon as of January 10, down 7 cents from \$1.87 on January 4, but 9 cents more than the December average. The difference between California wholesale diesel prices and prices in other regions remained relatively steady in recent weeks. As of January 10, California spot prices were 8 cents less than the Gulf Coast and 5 cents less than New York Harbor. The difference between California diesel and gasoline spot prices has also been fairly steady in the last week, with gasoline ranging from 1 to 5 cents more than diesel on spot markets.
- The Energy Information Administration (EIA) weekly assessment for January 6 shows U.S. gasoline demand down 4.4 percent from the previous week, while distillate demand grew 0.5 percent. The latest four-week average demand for gasoline is 9.221 million barrels per day, 1.3 percent more than last year. The four-week average for U.S. distillate demand is 4.291 million barrels per day, unchanged from last year.

Refinery Production and Inventories

- Reformulated gasoline production in California during the week ending January 6 grew only slightly from the previous week, increasing less than 1 percent to 6.8 million barrels. This increase in output is about 10 percent more than last year, but still only puts production in the middle of the five-year range, with several refineries beginning the winter maintenance season.²
- California reformulated gasoline inventories jumped 13 percent from the previous week, while gasoline blendstock inventories grew by more than 2 percent, as refiners anticipated the winter maintenance season. The growth in combined inventories of reformulated gasoline and gasoline blendstocks in the state pushed stocks to the middle of the five-year range, about 1 percent higher than last year. Meanwhile, with gasoline demand sliding nationwide and increased imports, U.S. gasoline inventories grew by 4.5 million barrels to 208.8 million as of January 6.

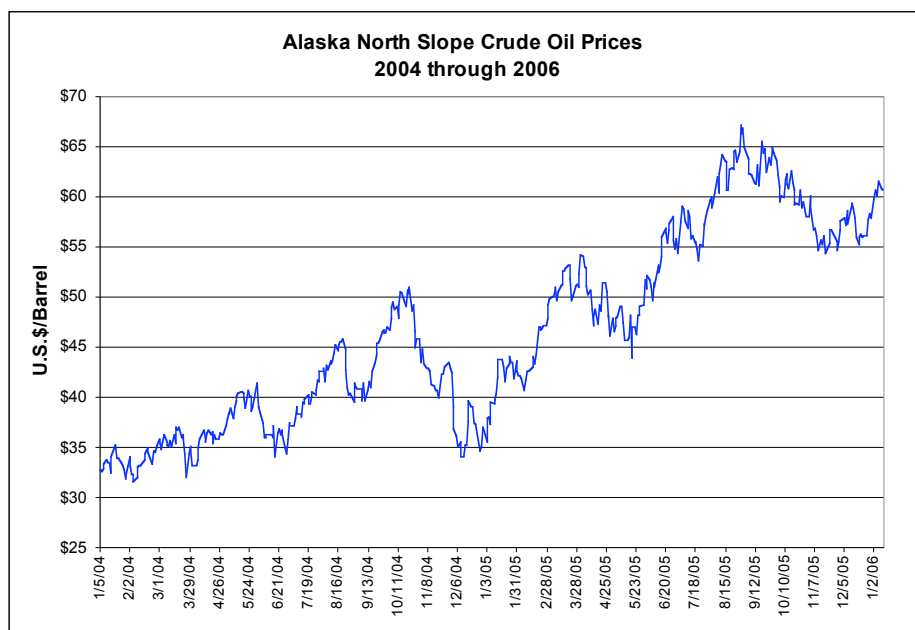


- California production of low-sulfur diesel during the week of December 2, including both California diesel and U.S. EPA diesel, fell by less than 1 percent from the previous week, but is 13 percent more than a year ago and continues well above the five-year range. Combined low-sulfur diesel inventories in the state grew by almost 9 percent from the previous week and have exceeded 4 million barrels for the first time since January 2001 as refiners build stocks prior to making upgrades for the upcoming diesel sulfur rule changes. U.S. distillate inventories also grew almost 4 percent from the previous week, increasing by 4.9 million barrels to 133.8 million barrels as of January 6.



Crude Oil Prices and Inventories

- In January, West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, have risen to more than \$60 per barrel for the first time since late October. As of January 10, ANS crude oil prices were \$60.57 per barrel, reflecting growing tensions over Iran's nuclear ambitions, ongoing difficulties maintaining Iraqi oil exports due to continuing sabotage, the slowing pace of recovery from hurricane-related losses in Gulf of Mexico oil production and a growing consensus that oil prices in 2006 will equal or exceed those of 2005.³



- U.S. commercial crude oil inventories fell last week to 318.7 million barrels as of January 6. This is 2.9 million barrels less than the previous week, but 29.9 million more than last year, and 32.5 million more than the five-year average. Crude oil stocks decreased as crude oil imports fell and oil production along the Gulf Coast has not improved markedly in recent weeks.
- The return of offshore crude oil production in the Gulf Coast has slowed in recent weeks and a substantial amount remains off-line. According to the Minerals Management Service, as of January 11, more than 26 percent of U.S. Gulf of Mexico offshore oil production, or 396,786 barrels per day, remains shut down from Hurricanes Katrina, Rita, and Wilma. More than 114 million barrels of crude oil production have cumulatively been lost to these hurricanes since late August, almost 21 percent of annual Gulf of Mexico offshore oil production.

¹ Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration (EIA) of the U.S. Department of Energy.

² California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

³ ANS crude oil prices are from the Wall Street Journal. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.